MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2021/2022

DFA5044 – FINANCIAL ACCOUNTING 4

(All sections / Groups)

29 NOVEMBER 2021
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **7** pages with **4** questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Horizon Bhd. was incorporated on 1 April 2020 and offered for subscription for its new ordinary shares of 800,000 units at RM1.80 each payable in the following terms:

On application	RM0.10
On allotment	RM0.50
During 1st call	RM0.20
During 2nd	RM0.60
During 3rd and last call	RM0.40

The company received unexpected response of 1,250,000 applications for ordinary shares.

However, the company's director rejected 60% of excess applications and allotted the remainder on a pro-rata basis. Any surplus money on application was used to pay up on allotment.

The 1st call and 2nd call money were received when due except three shareholders who held 30,000 shares each, failed to make a payment when due during 2nd call. During the 3rd and last call, all the monies due were received.

Required

(a) Prepare the journal entries to record the above transactions. (13 marks)

(b) Prepare the extract of the Statement of Financial Position after the 2nd call. (3 marks)

Part B

Given below is the Trial Balance of Sunrise Bhd. as at 31 December 2020.

Sunrise Bhd. Trial Balance as at 31 December 2020		
	Debit	**Credit**
Land and building	RM120,000,000	
Office equipment	2,200,000	
Vehicle	1,500,000	
Account receivable	16,000,000	
Inventory	300,000	
Bank	5,045,000	
Prepaid expenses	15,000	

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10,000,000 5% preference shares of RM2 each		RM20,000,000
65,000,000 ordinary shares of RM1.20 each		78,000,000
Retained profit		5,300,000
Bond payable		2,460,000
Account payable		300,000
30,000,000 3% redeemable preference shares		39,000,000
	RM145,060,000	RM145,060,000

During the year, the directors resolved to redeem 40% of its redeemable preference shares at a premium of 30%. To facilitate the redemption, RM4,800,000 will be transferred from the retained profit to contributed capital and the remaining balance by issuance of ordinary shares at RM1.80 each.

Required

(a) Prepare the necessary journal entries to record the transactions. (4 marks)

(b) Prepare the ledger entry for Bank and Ordinary Share Capital accounts. (5 marks)

(Total: 25 marks)

QUESTION 2

Part A

The following is the Trial Balance of Angsana Bhd. as at 31 December 2020.

Angsana Bhd. Trial Balance as at 31 December 2020		
	Debit	**Credit**
Long-term investments	RM400,000	
Plant and machinery	850,000	
Trade payables		RM108,000
Office equipment	370,000	
Research and development	168,000	
Inventories	220,000	
Trade receivables	130,000	
Goodwill	77,000	
Cash at bank	250,000	
1,200,000 ordinary shares of RM1.50 each		1,800,000
600,000 6% preference shares of RM1.80 each		1,080,000
Accumulated losses	433,000	

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Directors' loan		110,000
Asset revaluation reserve		80,000
Motor vehicles	280,000	
	RM3,178,000	**RM3,178,000**

The company had a major loss for the past 5 years which made the company suffering losses to date. The losses triggered many failures towards Angsana Bhd.'s operation. Few shareholders start to sell their shareholding ever since they did not get their dividend.

Hence, the company passed a special resolution and approval of the court was obtained for the following scheme of internal reconstruction:

1. Both ordinary shares and preference shares are to be reduced by RM0.80 each. Both types of shares were fully paid.
2. The preference shareholders to receive four ordinary shares of RM0.70 each for every RM2 preference dividends in arrears. The total arrears on preference dividend is amounted to RM80,000.
3. All non-current assets are at net book value and revalued as follow:

	(RM)
Plant and machinery	770,000
Office equipment	410,000
Motor vehicles	240,000
Inventories	190,000
Trade receivables	205,000
Long-term Investments	375,000

4. The company has not provided for contingent liability related to third party lawsuit damage worth RM250,000 and yet the company settled the full amount.
5. To write off the accumulated losses and all intangible assets.
6. The directors agreed to accept cash of RM47,000 in payment of loan from directors and the remaining is to be settled by issuance of ordinary shares.
7. 60% of the asset revaluation reserve is to be utilised for the scheme.
8. Subsequent to revaluation of assets, long-term investments were sold at its' market value.
9. Cost of reconstruction is RM30,500.
10. To record any surplus or deficiency on capital reduction account.

Required

(a) Prepare the journal entries to record the capital reduction. (16 marks)

(b) Prepare the Statement of Financial Position of the company after the completion of capital reduction. (6 marks)

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Part B

Besides preparing the financial statements, Companies Act 2016 requires specific disclosures to be made. Identify the **SIX (6)** items that need to be disclosed. (3 marks)

(Total: 25 marks)

QUESTION 3

Part A

The Trial Balance of Razeeka Enterprise as at 30 September 2020 is as follow:

Razeeka Enterprise Trial Balance as at 30 September 2020		
	Debit	**Credit**
Motor vehicles	RM154,000	
Office equipment	120,000	
Machinery	267,000	
Long-term investments	66,000	
Patents	50,000	
Cash at bank	118,000	
Account receivables	37,400	
Inventories	52,200	
Prepaid rental	3,500	
Accumulated depreciation – Motor vehicles		RM55,000
Accumulated depreciation – Office equipment		42,000
Accumulated depreciation - Machinery		96,500
Account payables		94,600
Insurance payable		5,000
Raziq, capital		575,000
	RM868,100	**RM868,100**

Razeeka Enterprise owned by Mr. Raziq was commenced its business on 1st October 2015. The business is making a good profit for the past five years. Therefore, the owner decided to expand his business from sole proprietorship into a company.

On 1 October 2020, Gemilang Bhd. was incorporated to purchase Razeeka Enterprise. Gemilang Bhd. was to take over all assets (except cash at bank and account receivables) of Razeeka Enterprise for RM800,000.

Upon liquidation of business, Gemilang Bhd. was to discharge the purchase price by issuing 200,000 fully paid 6% preference shares at RM1.20 each and sufficient fully paid ordinary shares at RM1.40 each in Gemilang Bhd.

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Additional information:

1. The revaluation assets taken over are as follow:

	RM
Motor vehicles	130,000
Office equipment	88,000
Machinery	238,000
Long-term investments	92,000
Inventories	66,000

2. Gemilang Bhd. was to assist Razeeka Enterprise to collect the account receivables and paying the trade payables and insurance payable. RM3,800 of bad debts were incurred on trade receivables.
3. Mr. Raziq subscribed 50,000 ordinary shares at RM1.40 each in Gemilang Bhd. and immediately paid by cheque when the company was formed.
4. The liquidation expenses of RM6,200 was to be paid by Razeeka Enterprise.

Required

(a) Calculate the purchase price and goodwill. (2 marks)
Shows all your workings.

(b) Prepare journal entries to close the book of Razeeka Enterprise. (7 marks)

(c) Prepare journal entries to open the book of Gemilang Bhd. (8 marks)

(d) Prepare the Statement of Financial Position of Gemilang Bhd. after the acquisition of Razeeka Enterprise. (6 marks)

Part B

Identify the contributing factors why the business wants to convert into company. (2 marks)

(Total: 25 marks)

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QUESTION 4

Part A

Millennium Bhd. was formed to acquire all assets and liabilities of Alpha Bhd. and Gamma Bhd., the main players in telecommunication industry. The acquisition was taken place on 1 January 2021.

Following are the Statements of Financial Position of Alpha Bhd. and Gamma Bhd. as at 31 December 2020.

Statements of Financial Position as at 31 December 2020		
	Alpha Bhd. (RM)	**Gamma Bhd. (RM)**
Plant, Property and Equipment		
Land and buildings	650,000	530,000
Office equipment	220,000	154,000
Motor vehicles	180,000	140,000
Intangible Asset		
Goodwill	55,000	70,000
Current Assets		
Bank	90,000	140,000
Inventories	203,000	90,000
Trade receivables	64,000	120,000
TOTAL ASSETS	**RM1,462,000**	**RM1,244,000**
Shareholders' Equity		
6% Preference shares of RM2.20 each	770,000	660,000
Ordinary shares of RM1 each	500,000	450,000
Reserve		
Retained profit	160,000	(35,000)
Current liability		
Trade payables	32,000	169,000
TOTAL EQUITY & LIABILITY	**RM1,462,000**	**RM1,244,000**

Note: Value for all assets are at book value.

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Additional information:

1. The purchase consideration paid by Millennium Bhd. to Alpha Bhd. and Gamma Bhd. are as follow:

> ***For the benefit of preference shareholders:***
> 540,000 5% preference shares were issued to Alpha Bhd. at RM2 per share.
>
> ***For the benefit of ordinary shareholders:***
> RM600,000 and RM750,000 ordinary shares were issued to Alpha Bhd. and Gamma Bhd. respectively at RM1 per share.

2. The fair value of the plant, property and equipment are as follows:

	Alpha Bhd. (RM)	**Gamma Bhd. (RM)**
Office equipment	180,000	135,000
Motor vehicle	162,000	150,000
Inventories	210,000	105,000
Trade receivables	60,000	nil

3. Liquidation expenses of RM8,500 and RM7,000 for Alpha Bhd. and Gamma Bhd. respectively are to be paid by Millennium Bhd.

Required

(a) Calculate the goodwill and purchase consideration paid to Alpha Bhd. and Gamma Bhd. (7 marks)
Shows all your workings.

(b) Prepare journal entries to open the book of Millennium Bhd. (9.5 marks)

(c) Prepare the Statement of Financial Position of Millennium Bhd. as at 1 January 2021. (5.5 marks)

Part B

Identify the **THREE (3)** situations that the company can reduce its capital according to Section 116 of Companies Act 2016. (3 marks)

(Total: 25 marks)

End of Paper